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Ministry of Consumer and Commercial Relations

Ontario

so you want to buy a home!

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A house is:

- an investment against inflation;
- a good place to raise children;
- an expression of personal taste;
- a private place to relax and call "home" after a long day's work.

Buying a home means:

- mortgage lenders, real estate salespeople and lawyers, appraisers and contractors;
- substantial financial commitment;
- a possible major change in your lifestyle.

House buying can be a tricky financial, legal and emotional experience. This booklet is designed to help ease you into that exciting and sometimes confusing world.

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Narrowing the choice

What can I afford?

Few families can afford to pay cash for a house these days. This means you'll have to borrow. Money borrowed to buy a house is called a 'mortgage loan' and people who lend mortgage money are called 'mortgagees' or simply mortgage lenders.

Banks, credit unions, trust companies and insurance companies lend mortgage money or the vendor may take back a mortgage.

Over the years, mortgage lenders have developed a few rules-of-thumb to help you decide how much you should pay for a house.

1. The purchase price should be no more than 3½ times your annual net (after tax) income. If you are buying the house with another person who has a stable income, add both salaries to make the calculation.

2. Your monthly mortgage payments and 1/12th of your annual municipal tax should be no more than 30 per cent of your monthly gross (before tax) salary (salaries). For example: If you earn $1,500 per month, your mortgage payments and taxes should be $450 per month or less. If you earn $2,000, payments should be no more than $600.

3. Your mortgage payment(s) plus other debts (credit cards, car payments, etc.) should not total more than 40 per cent of your monthly gross income.

Consult a mortgage lender or real estate salesperson for more detailed information about what you can afford and what these companies would be prepared to lend you.

Location

Now that you know what you can afford, let's narrow the choice even further by choosing where your house should be.

Here is a list of the most common factors influencing your choice of location:

- close to job?
- close to schools, church, shopping?
- good municipal services (police, fire, garbage pick-up, lighting)?
- handy to public transportation?
- too near noisy roads, airport, factory?
- is parking on the street or in own garage?
- parks nearby?
- if you move, does the house have good resale potential?
- do you feel safe in the neighborhood?
- check with your municipal planning office to determine the zoning of your area. Are roads scheduled to be widened? Could a store or apartment building be legally built near you?
- are you allowed to add to the house or convert it to two units? If there is already an apartment in the house, is it legal?

The hunt begins (almost)

Even though you've set your price range and selected your favorite neighborhoods, there are still a few more basic choices you have to make: (a) the type of house, (b) whether it should be new, used or yet to be built, (c) what features you want, and (d)the type of ownership.

Let's look at these questions before taking another step toward looking at our first house.

Housing styles

Here is a list of the most common types of houses and a few general advantages and disadvantages of each:

- Detached single family. This type of house sits on its own property unattached to any other house. It offers you privacy from adjoining neighbors. Detached houses are usually more expensive than other types. There may be considerable work involved in maintaining your property if the lot is large;

- Semi-detached. This type of house contains two separate units under one common roof. This form of housing is usually cheaper than the detached house but offers less privacy and ground space. The common wall means noise from one unit may travel into the other but it can

also mean a reduced heating bill compared with the detached house.

- Row or town housing. This is a style of housing in which three or more houses, usually of similar design and size, are linked together in a row. Town and row houses are often quite narrow with two or three storeys, which means a lot of walking up and down stairs. This style of housing can be inexpensive in city suburbs, but in city centres, both renovated and new row and town houses are expensive. Old row houses rarely have attached garages while new townhouses often have garages in the basement;
- Carriage houses or linked houses. This design is similar to row or town houses except that the attached units are not of the same design and are often linked to each other by the garages which allows access from the front to the rear yard.

New, used or unbuilt

Buying a new home can be a satisfying decision because everything from the roof to the foundations, the plumbing to the appliances is in new condition. In addition, all new homes sold in Ontario are covered by a warranty program. For further information about this warranty contact:

New Home Warranty Program
600 Eglinton Ave. E., Suite 100
Toronto, Ontario M4P 1P3
(416) 488-6000

In some cases you can take over the mortgage the builder holds on the property at an interest rate that is lower than the current mortgage rate.

Depending on what is, or is not, included in your new house, you could be facing considerable extra costs for such things as garden equipment, carpeting, drapes and drapery track and appliances.

Older homes have a lot going for them. They're usually in an established neighborhood and may contain design features (high ceilings, large rooms, decorative brickwork and landscaping) unavailable in most new homes. The drawback, however, is that some expensive and essential parts of the house

(roof, foundations, plumbing, wiring) may be in need of replacement or repair. Depending on market conditions, you may be able to assume an existing mortgage on an older home at an interest rate lower than the prevailing rate. If the owners have completely paid-off the house, however, you will have to borrow money at the current market mortgage rate to finance your home.

An unbuilt house offers you the chance to see your future home grow from the ground up. If you know anything about construction you'll be able to check the quality of workmanship. Most builders, however, will not permit alterations once construction has started except at a considerable expense to you. A major problem with buying an unbuilt house is that it may not be ready when you want to move in.

What features do you need?

What would you like in your house, now and in the future? Here's a checklist:

- number of bedrooms, bathrooms
- family, TV room
- good cupboard space
- laundry room
- garage
- landscaped
- built-in appliances

- easy-to-clean floors

Add any others that will help refine your search.

Types of ownership

▪ Individual ownership

Until recently, when most people thought of buying a house they thought of individual ownership. While individual ownership is still the most common form of ownership, there are now variations you might want to consider.

▪ Condominium

In a condominium arrangement, usually an apartment building or town house development, the buyer owns his/her unit individually but shares upkeep costs with the other owners for the common areas of the building. These shared common areas include driveways, lawns, swimming pool, play grounds and parking spaces. The condominium owner can pay $40 to several hundred dollars monthly to maintain these shared areas.

A board of directors, elected from and by the condominium owners, establishes rules for all owners. When you want to sell your condominium, you can sell to whomever you choose, just like an individually owned home that is not a condominium.

Condominiums are popular with people who don't want to bother with having to maintain the property outside their own four walls. Condominiums can be less expensive than single family or attached housing.

▪ Co-operative

When you join a co-operative you are part of a group of people who have built, or bought, a building or group of buildings. There is one mortgage bill and one tax bill for the entire group. Each owner pays a portion of the total mortgage and tax bill according to the worth of his unit as a fraction of the worth of the whole co-operative. It is similar to being a partner in a business.

Each member holds a share or certificate in the total enterprise. You do not individually own your unit.

Like the condominium, the co-operative is managed by a board of directors elected by the co-operative members. Unlike a condominium, however, if one member cannot pay his/her mortgage, the other members must make up the difference themselves.

Those who choose to live in co-operatives usually do so because the units are cheaper than comparable privately-owned units and they enjoy the sense of community that comes from running a large, complex business with others.

When you sell your share in a co-operative unit, the board of directors or all the co-operative's members may reserve the right to refuse a potential occupant whom they feel will not fit into the community.

Let's start looking!

With the careful planning behind you, it's time to actually go out and look at houses. Here are some ways:

An easy way to begin is to check the advertisements in newspapers and real estate advertising circulars. When you find a house you like, telephone the number listed in the advertisement (almost always the number of a salesperson working for a real estate company) and arrange to see the house. If you don't have transportation the real estate salesperson will often pick you up.

Look in the Yellow Pages of your telephone book under Real Estate Brokers and call or visit some. Brokers are people who are licensed to sell houses. Brokers keep lists, with pictures, of all the houses they have for sale. By telling one of the broker's sales staff exactly what you're looking for he/she will be able to zero-in on houses that suit your needs and price range.

Remember that the agent is working for the person selling the house and earns his/her income from a percentage of the selling price as commission. While agents must act ethically toward the buyer, it's best to shop around for an agent who inspires your confidence. A real estate broker displaying the ℞ Realtor sign belongs to a real estate board and is obliged to abide by a nationally recognized code of ethics.

If you can, drive around the areas that interest you. In newly developed areas, builders will have model

homes to show. In older areas you'll see For Sale signs which tell you which broker is selling the house or if it is a private sale. Simply call the number shown on the sign and arrange to see the house.

Take your time

Unless you must find a house in a hurry, take your time. Keep detailed notes on the houses you've seen and your reaction to them. You want to get the best value for your money so don't be panicked into buying the first or second house you see. It's not uncommon for prospective buyers to inspect 10 or 20 or more houses before deciding.

2

Inspecting your choice

Outside

Most people base their initial impression of a house on the exterior. Here are a few things you should check on the outside:

- condition of paint on walls, window frames and gutters;
- condition of roof, chimney and gutters;
- does the land slope away from the house?
- is the driveway in good shape?
- condition of screens and storm windows;
- condition of brickwork, steps, window frames, door, railings, outdoor lighting;
- orientation of house. Which direction do main windows face? Windows facing south mean lower heating bills and more light while windows facing north mean higher bills and darker rooms;
- is the property landscaped? Does it have healthy, well-placed trees?

Inside

- general layout and appearance — number of rooms, access to and from heavily used rooms (do you have to go through a bedroom to get to the bathroom?), is the dining room near the kitchen?
- will your furniture fit the rooms?
- is there sufficient closet space?
- working condition of appliances and fixtures;
- do the door locks, window fasteners and alarm system work?
- is there any indication of termites? (If so, call in an expert if you're seriously interested in the house. Termites are becoming a problem in parts of Ontario.)
- is the furnace new or old? Remember that natural gas heating is currently the cheapest fuel in common use. Insulation, or the lack of it, can drastically affect your heating bill. If possible, check last year's heating bill;
- does the fireplace chimney flue appear in good shape?

Things you can't see

- Insulation — If the house has been recently insulated ask to see the bills. Ask the agent how much insulation is in the walls and ceiling. If possible, go into the attic and check for yourself.
- Electrical system — Make sure there are enough electrical outlets in each room for your needs. You should also check the condition of the wiring wherever it is exposed (usually the basement or laundry room) to see if it is cracked or frayed. If you have many large electric appliances, confirm that the house has 100-ampere service. If not, it may not be able to handle your electrical needs.
- Plumbing — Don't be shy. Flush the toilet and turn on the taps to ensure the water pressure is adequate. Check the pipes in the basement for signs of leaks or faulty repair jobs by looking for water marks or stains on the floor.

Energy conservation

Energy costs should be as much a consideration as mortgage costs or taxes. Examine the house thoroughly to see how much it will cost to make the house more energy efficient. Some things to look for:

- check the house's heating bills for the past three or four years;

- have a look at the furnace. Is it rusty, old or dirty? If so, energy costs could be reduced by proper maintenance or a new unit;
- if the furnace is a hot-air unit, check the duct system to see if it is in good shape;
- if you visit the house in summer, ask the owner to switch on the furnace to see if it operates quietly. If not, there could be something wrong and it should be checked;
- next to heating costs, the cost of hot water makes up the second largest component in energy bills. Check to see if the water heater needs replacing. New tanks come with better insulation to reduce heat loss;
- check to make sure there are storm windows;
- ensure that windows and doors fit snugly without binding and that weather stripping and all other moveable parts are in good condition;
- you should have at least seven inches of insulation in the attic to prevent heat loss.

Energy conservation in a new home

During construction of a new home, drop by frequently to ensure that the builder is incorporating energy saving features. Check the following things:

- that floors over unheated spaces such as garages are insulated;
- that spaces between the frames and studs on windows and doors are well sealed with insulation;
- that the attic insulation fits snugly on the house frame;
- if appliances come with the house, be sure the builder uses the most energy efficient model.

Still worried?

If you're unsure about your own inspection you can hire an expert. Professional inspectors can be found in the Yellow Pages of your telephone book under Building Inspection Service. They charge about $200 for an inspection and can usually have a report ready within 72 hours.

3

Making your offer

In most towns and cities, real estate agents use a standard Offer of Purchase and Sale. With the agent's help, or the guidance of your own lawyer, the buyer fills out this form. There is no legal requirement to use this form. If you want to draw up an offer of purchase and sale from scratch that is your right.

This document must list basic, essential details like the owner's name, name of prospective purchaser, descriptions of the property, financing details, what the buyer is willing to pay (negotiable), date of sale completion, what is included in the deal (appliances, lights, etc.), details of financing to be arranged and the date by which the seller must respond to the offer. Although it's not a legal requirement, it's wise to have a lawyer examine your offer to purchase before submitting it to the house seller.

If the services of a real estate agent are being used, the agent takes this offer to the seller, who may, or may not, accept it. If the seller doesn't reject the offer completely, he may make a 'counter-offer' which the agent will return to you, the buyer. This counter-offer will change some of the conditions you included in your first offer to purchase. If you accept the seller's counter-offer by initialling the changes proposed, the sale has been made. You and the seller can offer and counter-offer until both parties come to an agreement or one party refuses to bargain further.

The deposit

If your offer to purchase is accepted you will usually be required to give the seller or his agent a deposit or down payment. The amount is usually $1,000 - $2,000 but it can be any amount as long as the seller agrees. The listing agent's company holds this money in trust. If you buy the house, the deposit will be applied to the purchase price. If the offer is rejected, the cheque will be returned to you. If the sale collapses for other reasons the deposit can be in contention and legal action could result, depending

on who defaulted. Because of these possible complications, the purchaser should try to put down as small a deposit as possible.

Making an offer on a new house

Making an offer of purchase and sale on a new house is identical to the procedure just described except that you may be dealing with the builder directly instead of a real estate agent or broker.

Closing day

In the offer to purchase you must include a date on which you intend to take possession of the house, providing your offer is accepted. This too, is a negotiable item, since the seller may want to sell sooner than you want to take possession. You should always allow at least 30 days between the time of your offer and closing day to allow your lawyer adequate time to complete the necessary paperwork.

Do I need a lawyer?

Yes, you should use the services of a lawyer. A house is usually the largest purchase you will make in your lifetime and a lawyer can ensure the transaction is completed smoothly. You could try to conduct the purchase yourself, but real estate deals are complicated and if you make a mistake the entire transaction could collapse or require thousands of dollars to correct. If the deal falls through because your lawyer erred you can sue for your costs and inconvenience.

In most cases an offer to purchase is prepared by the agent for the vendor or the vendor himself. The prudent purchaser will have his own lawyer review the offer before signing and submitting it to the vendor.

Your lawyer will search title to the property to ensure that the vendor actually owns it and he will certify the title to you. He will also search municipal bylaws to determine whether the house conforms to them. While it is the lawyer for the vendor who calculates the prepaid expenses of the vendor, your lawyer will examine these figures for accuracy. On closing day, your lawyer will exchange your money and other undertakings for the deed to the land and the keys to the house. Also on closing day, your lawyer will ensure that the deed is registered in the name(s) of the purchaser(s) at the appropriate land registry office.

What will a lawyer charge me?

Real estate lawyers determine their fees in two ways: either they charge a flat fee or the fee is based on a percentage of the selling price of the property. In addition to the fee, you will have to pay "disbursements". Disbursements usually refer to the costs of searching the title and registering documents, photocopying costs and other expenses related to the transaction.

An average total legal bill, including fee, disbursements and the land transfer tax is between $1,000 and $2,000.

Remember that the fee is a negotiable item between you and your lawyer. You should be prepared to pay the total legal bill on or near closing day.

Getting the keys

Depending on your financing arrangements, your lawyer will contact you a few days before the closing date and ask for a certified cheque to cover the remainder of the down payment or the balance of the selling price.

Some lawyers will ask that their fee, disbursement costs, the land transfer tax and any provincial sales tax expenses be included as part of this cheque. If your lawyer does this, he will deposit the cheque in a trust account and pay the vendor and the land transfer tax from this account. On closing day you simply collect the house keys from your lawyer. A copy of the deed is usually sent to you shortly after closing day.

4

Financing your choice

Mortgages

A mortgage is a loan taken to buy a house. In return for the loan, the borrower (called the mortgagor) promises the lender (called the mortgagee) to repay the loan and pledges the property as security.

Mortgage variations

- When you buy a house with a mortgage you automatically assume responsibility for the mortgage payments. While there is no actual transfer of a mortgage document to your name, you will likely have some correspondence with the mortgage lender concerning the outstanding amount and repayment procedures. You may have to meet with the mortgage lender and discuss your ability to meet the payments. (See page 21 for additional details.)

  When you're considering a property, look carefully at the payment privileges of the mortgage. In some cases you will be obliged to assume an existing mortgage for the full length of its term. If the mortgage comes with a high interest rate, this could be an expensive proposition.

  The reverse is also possible. The existing mortgage could carry a lower interest rate than the prevailing mortgage interest rate — a fact that would save you considerable cost.

- The purchaser can arrange his/her own financing. In this arrangement the buyer would pay for the house in cash (with personal funds plus borrowed money) and then start repaying the mortgage according to the monthly repayment schedule negotiated between the buyer and the mortgage lender. If a mortgage has to be arranged, make sure your offer is conditional upon your finding acceptable financing.

- In some cases the house seller will be the mortgagee. The terms of the mortage in this case are negotiable between seller and buyer. The buyer will make his/her payments to the seller.

Second mortgages

In cases where the buyer doesn't have enough money as a down payment to cover the difference between the selling price and the existing mortgage, he/she will have to arrange for a second mortgage. The lender holding the second mortgage is behind the holder of the first mortgage in collecting debts if the borrower is unable to maintain payments. Consequently, the interest rate

for second mortgages is higher than for the first mortgages.

Remember: Small differences in the mortgage interest rate mean thousands of dollars difference in the total amount you'll end up paying for your mortgage ... so shop around for the best deal.

Amortization/term

The **amortization** period of a mortgage is the length of time over which the regular (usually monthly) payments have been calculated on the assumption the mortgage will be fully paid over that period. The usual amortization period is 25 years, although this is a matter of negotiation between you and your mortgage lender.

The **term** of a mortgage is the length of time the mortgagee will lend you the money. The normal term of a mortgage is five years, during which time the interest rate is normally fixed. However, due to current market conditions, some mortgage lenders may reserve the right to vary interest rates during the term.

At the end of each term, the principal and unpaid interest on the mortgage becomes due and payable. Unless you are able to repay the entire mortgage at this time you will likely sit down with your mortgagee and renegotiate the conditions of your loan. You can, at the end of the term, move to another mortgage lender but there would be extra administrative charges involved and these should be carefully considered before changing mortgage lenders.

Prepayment privileges

Mortgage lenders offer different prepayment privileges on their mortgages. These privileges allow you to pay off lump sums of the principal, thereby reducing your total interest charges. Be certain to ask the loan officer where you apply for mortgage funds about any privileges and the charges, if any, for taking advantage of them.

If you can't meet payments

You should be prepared for fluctuations in interest rates. If they increase greatly, it might become difficult or impossible for you to meet increased payments when you renew your mortgage. You should choose a home that won't stretch your budget to the limit, leaving a reserve for higher payments; a general rule of thumb suggests total

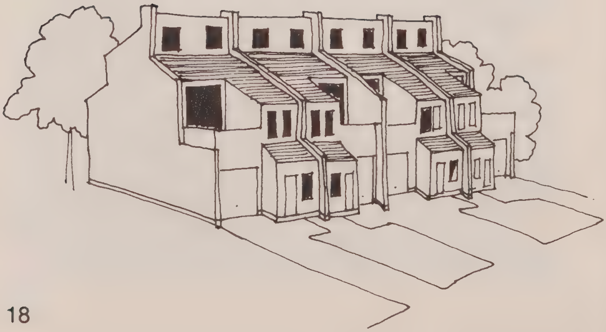
payments on your home shouldn't be more than 30 per cent of your income.
If you are unable to continue payments, the mortgagor will, in most cases, have the power to sell or take possession of your home. It must be stressed that even if you relinquish title, you may still be responsible for any money owed after the lender has sold the property.
The best thing to do if difficulties are anticipated is to talk to your mortgage holder. Most will be sympathetic to your problems and may offer solutions on how to ease the situation. If even this fails, seek expert advice from a lawyer or someone with competence in this field.

Further information

For further information about mortgages, write to the loan officer at your bank or credit union, or trust, loan or insurance company.

For information about National Housing Act mortgage assistance, call your local branch of the Canada Mortgage and Housing Corporation, listed in the telephone book under Government of Canada (Housing) or write:

Canada Mortgage and Housing Corporation
Montreal Rd.
Ottawa, Ont. K1A 0P7



5

Buyer protection

New homes

All builders of new homes in Ontario must be registered with Ontario New Home Warranty Plan which protects the buyer for five years against major structural defects to a maximum of $20,000. You should check with the New Home Warranty Program (address on page 6), who administer The Ontario New Home Warranties Plan Act, to ensure your builder is registered.

Make sure you have the builder's registration number as well as the house's enrolment number. When you make an offer to purchase, obtain receipts for all money you give the builder, and keep copies of all cancelled cheques.

On closing day, you must inspect the house and, if you agree it's ready to live in, sign a certificate of completion and possession. Any deficiencies or uncompleted items should be listed. Ask the builder to put in writing the dates these will be finished.

During the first year any defects in workmanship and materials will be corrected at no cost to you. If the builder does not co-operate, you may ask the New Home Warranty Plan (NHWP) officials to mediate.

If this doesn't bring satisfaction, you may pay $50 to the NHWP for an inspection, refundable if your complaint is justified. A conciliator will make a decision within 14 days. This can also be appealed through the courts.

During the next four years, any problems should be directed to your local NHWP office, not the builder.

New condominiums

For new condominiums, the owner is given a warranty covering defects in the unit and the condominium corporation for common elements.

Ontario's Condominium Act provides extra protection for condominium buyers, including a 10-day period in which you may withdraw your offer to purchase and personal documents disclosing financial details.

Because this is a relatively new and complex form of ownership, prospective purchasers should contact Condominium Ontario, a non-profit organization administering the legislation. Write:

Condominium Ontario
44 Eglinton Ave. W., Suite 501
Toronto, Ont. M4R 1A1
(416) 482-6636

Resale homes

Some real estate brokers and insurance companies in Ontario offer a home buyer protection plan to ensure that a family buying a resale home or resale condominium will not be hit with large, unexpected repair bills after moving in.

The terms and cost of such a program vary from one firm to another and should be carefully examined.

Generally, most companies offer the program for one year covering major structural defects, plumbing, heating and electrical systems. Some warranties also cover kitchen ranges, ovens, built-in microwave ovens, dishwashers, garbage compactors or disposal units, electric garage door openers, refrigerators, freezers and washers and dryers, provided they are included in the purchase.

Costs of the home buyer protection plan are about $150 a year for a house, $100 for a condominium and $75 for a condominium apartment.

This program should be used to supplement your existing house insurance, not to replace it. It does not cover things like fire, theft and storm damage like a regular insurance policy.

Real estate agents

Real estate agents and brokers are registered with the Ontario Ministry of Consumer and Commercial Relations. If you have any difficulties, contact:

The Registrar of Real Estate and Business Brokers
Ontario Ministry of Consumer and
Commercial Relations
555 Yonge St.
Toronto, Ont. M7A 2H6
(416) 963-0406

6

Stray questions answered

1. I want to buy a house but I'm not sure I'll be able to arrange the financing? What should I do?

If there's any doubt about your being able to finance the house you should include a clause in the offer to purchase that says the offer is conditional upon your finding adequate financing.

If there is an existing mortgage on the property and you are worried that you may not be acceptable to the mortgage lender, you should make your offer conditional on being acceptable to the mortgage lender.

If this clause is included and you aren't able to find acceptable financing or are not approved by the mortgage lender, your offer to purchase becomes invalid and whatever deposit you've made will be returned in full.

2. I want to buy a house from the builder and assume the mortgage he arranged. How do I do this?

When you sign the offer to purchase you may also be asked to sign an Application for Mortgage Approval. This application will be forwarded by the builder, along with a letter-of-equity and salary letter, to the mortgage lender.

The mortgage company may ask you to come in and discuss your application and you may also be asked to allow a personal credit check to be carried out by the mortgage company. The

details of this check are kept confidential by the mortgage company.

3. **What is a letter-of-equity?**

When you made your offer to purchase you made a deposit. When you add this deposit and the total value of the mortgage(s) and then subtract this total from the selling price of the house, the result is the balance of the down payment you must pay.

For example, if the house cost $60,000 and there is a mortgage for $45,000 and your deposit was $2,000, the balance of the down payment is $60,000 — ($45,000 + $2,000) = $13,000.

The total of the deposit and balance of the down payment ($2,000 + $13,000 in our example) is the 'equity' you have in the house.

The mortgage company will ask to see a statement from your bank or credit union confirming you have sufficient funds to pay the balance of the down payment. This financial statement is the letter-of-equity.

4. **What is a salary letter?**

The mortgage lender wants to know if you'll be able to keep up payments on the loan so they will want to see a letter from your employer stating your annual salary. If you're self-employed they'll want to see a recent income tax statement.

5. **I've just bought a used house and assumed the vendor's mortgage. Will I have to provide a letter-of-equity and a salary letter to the mortgage company?**

Not normally but you should be prepared for the possibility.

6. **How long does it take to be approved for a new mortgage?**

The length of time varies greatly, especially when a new home is being purchased. You may not receive approval until shortly before the closing date.

7. **Do I get my deposit back if the mortgage company refuses me?**

   Yes. As long as your offer was conditional upon finding financing, otherwise there could be complications.

8. **How do I find a real estate lawyer?**

   Talk to friends who have recently bought a house and ask for their recommendation or call the Lawyer Referral Service telephone number listed in the Yellow Pages under Lawyers.

9. **Should I use a lawyer who's also working for the builder or real estate company who's selling the house?**

   No. If there's a problem with the deal, the lawyer would be in the impossible situation of having to represent both sides in the dispute.

10. **What can I do if the lawyer's bill seems too high?**

    You can appeal to a person called the Taxing Master. There is a Taxing Master located in every County Court building in the province. Your complaint can only be heard if you appeal the lawyer's bill within 30 days of receiving it. For a small fee the Taxing Master will hear your case and the lawyer's explanations and will determine the fee he feels is correct.

11. **Is it necessary that both husband and wife sign the offer to purchase?**

    No. One name is sufficient. But if the house is to be owned jointly you can avoid some future paperwork by having both parties sign the offer.

12. **My spouse and I want to be co-owners of the house. What do we have to do?**

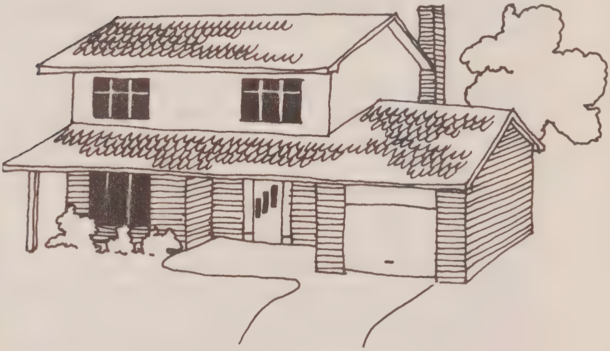
    There are two arrangements by which two or more people may own property:

    (a) Joint tenancy: In this arrangement the individuals hold an equal share in the property, regardless of how much either party may have contributed to its purchase.

On the death of one party, that person's share of the property automatically goes to the other joint tenant(s) and cannot be passed on to any other person(s) by the deceased in a will.

(b) Tenants in common: In this arrangement the shares in the property need not be equal and the individual owner can sell or pass on his/her share to anyone, subject to any restrictions that might be in the deed.

Consult a lawyer about the ownership arrangement that best suits your needs.



13. Do I need to have insurance on my home?

Yes. If you have a mortgage the mortgage lender will insist that you have at least enough insurance on the property to cover the outstanding mortgage(s) but prefers enough to equal the actual value of the house. This insurance must take effect on closing day.

A note of caution: if you are aware of a defect in your home that is not mentioned in the policy and a mishap does occur, for example, faulty wiring causing a fire, your insurance could be invalid.

It is also wise to consider buying a life insurance policy that will cover the mortgage in the event the wage earner dies. See an insurance agent or mortgage lender for additional information.

14. How does the Family Law Reform Act affect the disposition of property at the time of divorce?

When a couple divorced before the Family Law Reform Act was passed in 1978, the property was awarded to the spouse who had paid for it.

The new law adopts the 'family assets' approach to property. This means the couple's possessions are shared equally if the marriage breaks up.

A court can order a disproportionate division of the assets, however, in favor of the husband, or wife, in order to avoid unfairness.

15. Is the offer to purchase a legal document that binds me to anything?

Yes, it most certainly is. Everything in the offer is legally binding and both parties have to live up to their commitments unless both agree to changes. Remember that anything not in writing is not in the contract. Verbal promises are worth nothing.

16. What time limit should I put on my offer to purchase?

The purchaser should put the shortest time possible on the offer. An average length is 24 to 48 hours. The vendor will want the longest time possible which will allow for other bids on the property before he has to decide on your offer. Usually the time limit is established by the vendor but it may be negotiable.

7

Real Estate terms made easy

Agreement of purchase and sale — a binding contract in which the buyer agrees to purchase and the seller agrees to sell the property according to specific terms and conditions.

Closed mortgage — a mortgage which cannot be paid off earlier than originally arranged, except by mutual consent of the parties. In some cases you may be required to pay a penalty to pay off the mortgage before the term ends. In other cases,

because the interest rate is below the prevailing rate, the mortgage lender may be happy to allow you to pay off the mortgage without any penalty.

Closing day — this is the day specified in the Agreement of Purchase and Sale on which the purchaser will acquire title to the property. On this day the purchase price and other payments are exchanged by your lawyer for the deed to the property. It is also the day on which mortgage interest, insurance, prepaid taxes and similar expenses are adjusted to give the purchaser or vendor credit for what they have paid or will be paying.

Deed — a legal document transferring ownership of land from a seller to a buyer.

Deposit — a specified sum of money to be paid when the Agreement of Purchase and Sale is signed.

Interest — is an amount, equal to a percentage of the mortgage loan, charged for borrowing.

Listing — a property a broker is authorized to sell.

Mortgage — the money borrowed to purchase a property. This amount is reduced through regular payments which usually include principal, interest and taxes.

Open mortgage — a mortgage which can be repaid or refinanced earlier than originally arranged, generally subject to certain prepayment conditions.

Prepaid taxes — taxes paid by the former owner for a period beyond the closing date.

Prepayment privileges — found with open mortgages, they stipulate under which conditions a mortgage may be paid off or refinanced earlier than originally arranged.

Principal — the outstanding balance on the mortgage, as distinguished from interest or any other outstanding charges.

Real estate broker — a person who is licensed to trade in real estate on behalf of other persons for a stated fee. The broker usually has a staff of sales people whose salary is paid from the commission the house vendor pays the broker.

Refinancing — after the term has expired or prepayment conditions have been met, new repayment arrangements are made according to the going interest rate.

Term — the period for which the interest rate is fixed or by which the loan must be repaid.

Caution

The mortgage market has, in recent years, gone through an unprecedented period of change. This has resulted in many buyers having difficulty obtaining mortgages at the same rate and terms stated in the agreement to purchase when the interest suddenly rises. In addition, mortgages are now being renewed more frequently as a result of shorter terms, often with disastrous results for the buyer.

This applies to both new homes and the re-financing of old homes.

It is strongly recommended that you carefully read all relevant sections of the agreement to purchase and consider obtaining legal advice before signing the documents. It may help you avoid last minute surprises and potential problems.

8

Counting your pennies — a budget guide

Gross monthly income

Borrower

Spouse (where applicable)

Total

Maximum monthly credit payments

Mortgage

Taxes

Car payments

Credit card payments

Loan payments

Other

Total
= 40% or less of gross monthly income

Monthly operating costs

Heat

Hydro

Water

Telephone

Television cable

Common expenses (condominiums only)

Other

Total

Maximum monthly housing costs

Total operating costs

Mortgage payments

Property taxes

Insurance

Total
= 30% or less of gross monthly income

Purchase costs

Down payment

Moving expense

Legal fees and disbursements

Land transfer tax

Insurance

Utility deposits

Fee for finding a mortgage (if applicable)

Sub-Total

Optional:

Furniture and appliances (plus provincial retail sales tax)

Decorating

Landscaping

Repairs

Other

Sub-Total

Total

Notes:

Be an informed consumer

The consumer ministry has published a number of other booklets covering a range of consumer topics, such as:

- ☐ Credit and you
- ☐ The Consumer Protection Act
- ☐ Home repairs
- ☐ Car repairs
- ☐ Buying a car
- ☐ Buying a home
- ☐ The Ontario Business Practices Act
- ☐ Tricks of the marketplace
- ☐ Refunds and exchanges
- ☐ The Consumer Information Centre

Copies of these publications may be picked up in person at the Consumer Information Centre, 555 Yonge St., Toronto (Telephone 416/963-1111; TTY/TDD 416/963-0808) or from Consumer Services Bureaus in Hamilton, London, Ottawa, Peterborough, Sudbury, Thunder Bay and Windsor.

For direct mail requests, please check the above publications of interest, complete the following form, and mail to:

Consumer Information Centre
Ontario Ministry of Consumer and
Commercial Relations
555 Yonge St.
Toronto, Ont. M7A 2H6

Name: ______________________________

Address: ______________________________
(street & no.) (apt.)

____
(city) (prov.) (postal code)

We'd like to hear from you.
The consumer ministry welcomes any comments and suggestions on its information materials, programs and customer services. In this way we can best respond to your needs in the marketplace.

Ontario

Ministry of Consumer and Commercial Relations

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ISBN 0-7743-6952-3